

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 7, 2006

In Reply Refer To:
Sabine Pipe Line LLC
Docket No. RP06-582-002

Chevron Pipe Line Company
P.O. Box 430
Bellaire, TX 77402-0430

Attention: Sanna Lilburn, Attorney-in-Fact
Sabine Pipe Line LLC

Reference: Compliance Filing Establishing a True-Up Mechanism

Ladies and Gentlemen:

1. On October 27, 2006, Sabine Pipe Line LLC (Sabine) filed tariff sheets, listed in the Appendix, proposing to establish a true-up mechanism (Compliance Filing) to comply with the Commission's order issued September 29, 2006.¹ Sabine requests the Commission permit the tariff sheets to become effective October 1, 2006. For the reasons discussed below, Sabine's proposed tariff sheets are conditionally accepted, to become effective October 1, 2006, as requested.
2. On September 1, 2006, Sabine filed tariff sheets and supporting work papers proposing to establish an annual fuel and line loss reimbursement tracker and initial reimbursement percentages for compressor fuel used and unaccounted-for volumes in new section 27 (Fuel Gas and Unaccounted For Gas) in its General Terms and Conditions.² On September 29, 2006, the Commission issued an order accepting Sabine's proposed tariff sheets, effective October 1, 2006, subject to Sabine filing, within 30 days of the September 29, 2006 Order, revised tariff sheets establishing a true-up mechanism.³

¹ *Sabine Pipe Line LLC*, 116 FERC ¶ 61,309 (2006) (September 29, 2006 Order).

² On September 15, 2006, Sabine supplemented its filing to correct minor language in its transmittal.

³ 116 FERC ¶ 61,309 at P 16-17.

3. In the instant filing, Sabine states that it: (1) deletes existing section 27.2 on Sheet No. 315; (2) renumbers existing section 27.3 to section 27.2 on Sheet No. 316; (3) revises Sheet No. 317 and adds Sheet No. 318 to separately state the approved fuel gas and unaccounted-for gas trackers and incorporate the required compressor fuel true-up provision; and, (4) designates Sheets Nos. 319 and 320 as reserved for future use.

4. The Commission issued notice of Sabine's Compliance Filing on November 3, 2006. Protests were due November 8, 2006, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2006)). On November 7, 2006, Coral Energy Resources, L.P. (Coral) filed a protest. On November 8, 2006, Sequent Energy Management, L.P. (Sequent) filed a protest. Sabine filed an answer on November 27, 2006. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2) (2005), answers to protests or answers are generally prohibited. However, the Commission will accept Sabine's answer because it provides information that further clarifies the issues and will assist the Commission in its decision-making.

5. In their protests, both Coral and Sequent argue that while Sabine's Compliance Filing includes a true-up mechanism for compressor fuel usage, it omits a corresponding true-up mechanism for unaccounted-for gas volumes. Coral contends that Sabine's Compliance Filing does not comport fully with the Commission's directive in its September 29, 2006 Order. Coral argues that the Commission's directive did not distinguish between compressor fuel and unaccounted-for gas, but instead concerned the over and under recovery of gas. Coral submits that the Commission's directive was consistent with previous rulings concerning these matters.⁴

6. Coral argues that without a true-up mechanism for unaccounted-for gas, Coral and Sabine's other ratepayers will not be fully protected from possible over-collections of gas by Sabine. Accordingly, Coral requests the Commission reject Sabine's Compliance Filing and direct it to make the compliance filing required by the September 29, 2006 Order and applicable precedent, establishing a true-up mechanism addressing both compressor fuel and unaccounted-for gas.

7. Sequent argues that the Commission's September 29, 2006 Order clearly stated that "...Sabine must establish a true-up mechanism to account for over and under recovery of gas."⁵ Sequent asserts that based on that directive, Sabine has only partially

⁴ Citing, e.g., *Colorado Interstate Gas Co.*, 115 FERC ¶ 61,322, at P 5 (2006) (*CIG*) (*CIG's* filing "reflects the addition of true-up features to its Fuel and L&U and Other Fuel Gas reimbursement mechanism"); *ANR Pipeline Co.*, 111 FERC ¶ 61,290, at P 6 (2005) (*ANR*) ("Taking Section 5 action, the Commission directed ANR to develop a true-up mechanism to account for the over and under recovery of fuel use and L&U gas").

⁵ Citing, 116 FERC ¶ 61,309, at P 16.

complied with the Commission's order by including a true-up mechanism for compressor fuel only. Therefore, Sequent requests the Commission direct Sabine to incorporate into its tracker, a mechanism that true-up unaccounted-for volumes. Sequent contends the tariff sheets should include specific language incorporating a true-up mechanism for compressor fuel volumes (FRP) and unaccounted-for volumes (UFRP).

8. In its answer, Sabine asserts that its instant filing fully complies with the September 29, 2006 Order⁶ and with Commission policy, quoting the Commission's statement in *ANR Pipeline Company*,⁷ that "The Commission is only requiring that, if a pipeline chooses to track fuel costs in periodic limited section 4 rate cases or it is ordered to do so by the Commission as a result of a section 5 investigation, the fuel tracker must include a true-up provision."⁸ Sabine claims that its UFRP will be reviewed annually through the tracker provisions previously accepted by the Commission and, therefore, the UFRP will be adjusted under the tracker, if necessary. Sabine requests that the Commission accept its revised tariff sheets as filed in full compliance with the September 29, 2006 Order.

9. We find merit in Coral and Sequent's protests. We agree that Sabine did not fully comply with the directive of the September 29, 2006 Order. The September 29, 2006 Order did not distinguish between compressor fuel and unaccounted-for gas, but concerned the over and under recovery of gas. Without a true-up for unaccounted-for gas, Sabine could over or under recover the cost associated with the unaccounted-for gas. In the September 29, 2006 Order, the Commission quoted from *ANR* that "if a pipeline chooses to track fuel costs in periodic limited section 4 rate cases or it is ordered to do so by the Commission as a result of a section 5 investigation, the fuel tracker must include a true-up provision."⁹ In *ANR*, the Commission required a true-up mechanism be implemented for both fuel and lost and unaccounted-for volumes.¹⁰ Since Sabine originally filed to track fuel and unaccounted-for gas costs in periodic limited section 4 rate cases, pursuant to Commission policy as reflected in *ANR*,¹¹ it must incorporate a true-up mechanism in its tariff to account for the over and under recovery of all gas,

⁶ *Citing, Id.* at P 16.

⁷ *Citing, ANR*, 108 FERC ¶ 61,050 (2004), *order on reh'g*, 110 FERC ¶ 61,069, *order on reh'g*, 111 FERC ¶ 61,290 (2005) (*ANR*).

⁸ *Citing, ANR*, 110 FERC ¶ 61,069, at P 28.

⁹ 116 FERC ¶ 61,309 at P 16 (citing *ANR*, 110 FERC ¶ 61,069, at P 28).

¹⁰ *ANR*, 110 FERC ¶ 61,069 at 61,348, Ordering Paragraph (A).

¹¹ *See Id.* at P 27; *See also, e.g., CIG*, 112 FERC ¶ 61,356, at P 13-14 (2005), 115 FERC ¶ 61,322, at P 23 (2006).

including gas it classifies as unaccounted-for. Thus, Sabine must provide a tariff mechanism to true-up both its fuel (FRP) and unaccounted for (UFRP) gas volumes. The true-up must be designed to eliminate all over and under recoveries and thereby will help ensure that all parties are kept whole.

10. Accordingly, the Commission conditionally accepts the proposed tariff sheets, listed in the Appendix, effective October 1, 2006, subject to Sabine's filing, within 30 days of the date this order issues, revised tariff sheets establishing a true-up mechanism for unaccounted-for (UFRP) gas.

By direction of the Commission.

Magalie R. Salas,
Secretary.

APPENDIX

Sabine Pipe Line LLC
FERC Gas Tariff, Original Volume No. 1
Tariff Sheets conditionally accepted effective October 1, 2006

Substitute First Revised Sheet No. 315
Substitute Original Sheet No. 316
Substitute Original Sheet No. 317
Original Sheet No. 318
Original Sheet No. 319
Original Sheet No. 320